

## Message Text

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ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 CIAE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAJ-01 NIC-01 ACDA-19 EB-11 OMB-01 FEA-02

COME-00 AGR-20 TRSE-00 DRC-01 OPIC-12 /178 W

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R 250918Z MAR 74

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 8818

INFO AMEMBASSY ATHENS

USMISSION BERLIN

AMEMBASSY BONN

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY LONDON

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USCINCEUR VAIHINGEN

CINCUSAREUR HEIDELBERG

CINCUSAF RAMSTEIN

SECDEF WASHDC

DIA WASHDC

OSD/ISA WASHDC

USIA WASHDC

AMCONSUL ZAGREB

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C O R R E C T E D C O P Y - INSERTING PARA 7.

USNMR SHAPE FOR POLAD  
CINCEUR FOR POLAD  
USAREUR FOR POLAD  
USAFE FOR POLAD

E.O. 11652: GDS  
TAGS: PFOR, PINT, ECON, YO  
SUBJECT: YUGOSLAVIA: POLITICAL AND ECONOMIC TRENDS -  
MARCH 1974

1. UNIFYING ITS RANKS BY EXORCISING VARIOUS REAL OR IMAGINED DEVILS, INCLUDING WARNINGS AGAINST A REVERSION TO A STALINIST BRAND OF CENTRALISM IS THE MAIN CURRENT PREOCCUPATION OF THE LCY IN PREPARATION FOR ITS CONGRESS IN MAY. IT IS AN INTEGRAL PART OF THE PROCESS OF STRENGTHENING YUGOSLAV-WIDE COHESIVE ELEMENTS WHILE PRESIDENT TITO IS STILL AROUND TO APPLY HIS AUTHORITY AND PRESTIGE TO THE TIGHTENING-UP EXERCISE. (RUMORS IN LATE FEBRUARY ABOUT TITO'S HEALTH HAVEING SERIOUSLY DETERIORATED, WHILE UNTRUE, REMINDED PEOPLE THAT THE POST-TITO ERA COULD BEGIN AT ANY MOMENT.) THE PARTY, BACKED UP BY THE YUGOSLAV ARMY (JNA), MUST DEAL NOT ONLY WITH NATIONALITY FRICTIONS BUT ALSO WITH INTER-REPUBLIC RIVALRIES AND, CLOSELY TIED IN WITH THEM, PROBLEMS OF UNEVEN ECONOMIC DEVELOPMENT.

2. THE NEW YUGOSLAV CONSTITUTION TO GO INTO EFFECT IN MAY WILL BRING SIGNIFICANTLY GREATER PARTY DIRECTION AND AUTHORITY WITHOUT TEARING DOWN THE FORMS OF DECENTRALIZATION. THE NEW ELEMENTAL UNITS OF BOTH POLITICAL AND ECONOMIC POWER -- THE "BASIC ORGANIZATIONS OF ASSOCIATED LABOR" -- WILL BRING ALL WORKERS INTO THE DECISION-MAKING PROCESS (IN APPEARANCE IF NOT IN FACT) AND THROUGH THEM WILL ENSURE ENHANCED PARTY INFLUENCE. THE PARTY WILL ALSO CONTROL SELECTION OF WORKER-DELEGATES FOR THE OPSTINA, REPUBLIC/PROVINCE AND FEDERAL ASSEMBLIES. THE JNA WILL PLAY A GREATER PART IN THE NEW ASSEMBLY SYSTEM, THUS EMPHASIZING ITS COMPLEMENTARY, UNIFYING ROLE. THE JAN IS ALSO AGRESSIVELY STAKING OUT ITS ROLE OF "PROTECTOR  
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OF THE REVOLUTION" BY MORE CLOSELY TYING TERRITORIAL FORCES TO THE OPERATIVE ARMY AND BY A UNIFIED PRE-MILITARY TRAINING PROGRAM (UNDER JNA OFFICERS) BEGINNING IN ELEMENTARY SCHOOL AND CONTINUING THROUGH UNIVERSITY.

3. LOOKING TO THE REPUBLIC/PROVINCE AND FEDERAL LC CONGRESSES THIS SPRING, PARTY ORGANIZATIONS HAVE BEEN FORCED TO TAKE DECISIONS ON LEADERSHIP CHANGES AND TO IMPROVE

THEIR RECORDS OF WORKER RECRUITMENT AND WORKER PROMOTION.

4. WHILE THE DEGREE OF POLITICAL DECENTRALIZATION WHICH WILL SURVIVE UNDER THE WORKER-DELEGATE SYSTEM IS AN OPEN QUESTION, THERE IS NO DISPOSITION TO RETURN TO AUTHORITARIAN, CENTRALIZED REGIME CONTROL OVER YUGOSLAV LIFE. THE CAMPAIGN AGAINST SUPPORTERS OF A RELATIVELY LOOSE PARTY ORGANIZATION, THE "ANARCHO-LIBERALISTS", HAS PEAKED. YUGOSLAV LEADERS HAVE RECENTLY CITED THE DANGER OF A "CENTRALIST" FACTION, ONE WHICH COULD THREATEN THE CONTINUITY OF YUGOSLAVIA'S INDEPENDENT, SELF-MANAGEMENT COMMUNISM -- TITOISM -- AFTER TITO. FIRST BAKARIC AND THEN OTHER CROATIAN LEADERS, THEN LCY EXECUTIVE BUREAU SECRETARY DOLANC CHARGED THAT THE NEO-STALINIST CENTRALISTS SOUGHT TO POSITION THEMSELVES FOR A POWER GRAB "AT A GIVEN POLITICAL MOMENT" (I.E., AFTER TITO). THIS ATTACK ON CENTRALISTS WAS DESIGNED IN PART TO DAMP CRITICISM FROM PARTY CONSERVATIVES AND ENSURE THAT CANDIDATES FAVORED BY THE PRESENT "MODERATE" LEADERS WIN OUT IN THE CURRENT CADRE CHANGES. BUT THERE IS LONGER-TERM CONCERN THAT UNCONTROLLED ANTI-LIBERALISM MIGHT ENCOURAGE PARTY CONSERVATIVES TO TRY TO FORCE THE YUGOSLAV SYSTEM BACK TO THE TIGHTLY CENTRALIZED MODEL OF THE NOW-DISTANT PAST.

5. INITIATIVES TO ENHANCE THE PARTY'S ROLE AND ENSURE IDEOLOGICAL PURITY IN THE MEDIA AND IN EDUCATION WILL CONTINUE. BUT IT IS CLEAR THAT UNAUTHORIZED MEASURES TAKEN IN THE NAME OF SOCIALIST ORTHODOXY WILL NOT BE CONDONED; FOR EXAMPLE, A PROMINENT PAINTER WAS ABLE TO USE THE PRESS TO DEFEND FELLOW ARTISTS AGAINST PUBLIC CHARGES BY PARTY CONSERVATIVES OF HAVING CREATED "BLACK WAVE" ART. AND, NO LESS A FIGURE THAN DOLANC HAS MUTED THE PARTY'S CAMPAIGN TO FORCE THE REMOVAL OF THE EIGHT DISSIDENT BELGRADE

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UNIVERSITY PROFESSORS.

6. THE YUGOSLAV ECONOMY IS OFF TO A GOOD START IN 1974. PRODUCTION AND EMPLOYMENT ARE INCREASING AT SATISFACTORY RATES, AND EXPORTS ARE HOLDING UP WELL. THE FEARED REFLOW OF LARGE NUMBERS OF YUGOSLAVS EMPLOYED IN WESTERN EUROPE HAS NOT MATERIALIZED. ADVANCE TOURIST BOOKINGS ARE ENCOURAGING.

7. STILL, A DIFFICULT YEAR IS IN STORE. INCREASED COSTS OF IMPORTED OIL AND OTHER BASIC COMMODITIES WILL PLACE AN ADDITIONAL BURDEN OF OVER A HALF BILLION DOLLARS ON A BALANCE OF PAYMENTS WHICH HAS BEEN IN SURPLUS BY JUST HALF THAT MUCH IN EACH OF THE PAST TWO YEARS. THESE INCREASED COSTS WILL ALSO FURTHER FUEL INFLATIONARY PRESSURES, ALREADY

AMOUNTING TO NEARLY 20 PERCENT A YEAR. ELECTRIC ENERGY WILL  
BE IN SHORT SUPPLY.

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INFO OCT-01 NEA-10 ISO-00 CIAE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

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COME-00 AGR-20 TRSE-00 OPIC-12 DRC-01 /178 W

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R 250918Z MAR 74

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AMEMBASSY VIENNA

AMEMBASSY WARSAW

USNMR SHAPE CASTEAU

USCINCEUR VAIHINGEN

CINCUSAREUR HEIDELBERG

CINCUSAF RAMSTEIN

SECDEF WASHDC

DIA WASHDC

OSD/ISA WASHDC

USIA WASHDC

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8. A DETERMINED ANTI-INFLATIONARY PROGRAM EMPHASIZES HIGHER OUTPUT AND PRODUCTIVITY, LOWER COSTS OF PRODUCTION, REDUCED SOCIAL EXPENDITURES, A FAIRLY TIGHT BUDGET, AND STEEPLY INCREASED INVESTMENT IN YUGOSLAVIA'S OWN BASIC MATERIAL, ENERGY AND AGRICULTURAL DEVELOPMENT.

9. IMPROVED ENTERPRISE LIQUIDITY, STEPPED-UP INVESTMENT AND CONTINUED GOOD FOREIGN AND DOMESTIC DEMAND FOR YUGOSLAV PRODUCTS INDICATE THAT OUTPUT OBJECTIVES MAY BE REACHED. EFFICIENCY,

HOWEVER, MAY SUFFER FROM THE SUBSTANTIAL CHANGES IN SELF-MANAGEMENT, INVOLVING FURTHER DECENTRALIZATION AND INCREASED WORKER CONTROL. THE PROJECTED AUSTERITY PROGRAM SHOULD HOLD PRICE INCREASES TO THE 15-20 PERCENT RANGE. REAL INCOME MAY GROW MODERATELY.

10. A MAJOR CAMPAIGN IS ON TO OFFSET INCREASING OIL IMPORT COSTS THROUGH INCREASED EXPORTS OF INDUSTRIAL EQUIPMENT AND CONSTRUCTION SERVICES TO OIL-PRODUCING COUNTRIES AND LDC'S AIDED BY OIL PRODUCERS. SUCCESS IN THIS, CONTINUED EXPORT GROWTH TO DEVELOPED COUNTRIES, AND MODERATE GROWTH IN RECEIPTS FROM TOURISM AND WORKERS ABROAD SHOULD AVOID A MAJOR BALANCE OF PAYMENTS DEFICIT THIS YEAR. FOREIGN EXCHANGE RESERVES, AT AN ALL-TIME HIGH OF 1.7 BILLION DOLLARS, WILL CUSHION ANY SETBACK.

11. US-YUGOSLAV ECONOMIC RELATIONS CONTINUE TO PROGRESS, AND THE YUGOSLAVS BELIEVE THIS IS IMPORTANT. WITH OPIC INVESTMENT GUARANTEES, 13 JOINT ENTERPRISE ARRANGEMENTS INVOLVING OVER 23 MILLION DOLLARS IN US CAPITAL HAVE BEEN CONCLUDED AND OVER TEN OTHERS ARE UNDER NEGOTIATION. NEW LEGAL PROVISIONS TO PROMOTE AMERICAN AND OTHER WESTERN INVESTMENT ARE UNDER CONSIDERATION. OVER ONE HUNDRED OF YUGOSLAVIA'S LARGEST ENTERPRISES WISH TO JOIN A NEW US-YUGOSLAV CHAMBER OF COMMERCE. THERE IS ACTIVE INTEREST IN PROCURING FROM THE US MUCH OF THE EQUIPMENT AND TECHNOLOGY REQUIRED FOR DEVELOPMENT OF ELECTRIC ENERGY, MINERAL RESOURCES, OIL AND GAS, TRANSPORTATION AND TOURISM WHICH WILL HAVE MAJOR EMPHASIS IN THE NEXT FEW YEARS.

12. IN FOREIGN POLICY, THE GOY WILL STEP UP ITS ALREADY  
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CONSIDERABLE EFFORTS ON BEHALF OF NONALIGNMENT TO RETAIN ITS LEADERSHIP POSITION. THIS FORUM HAS GIVEN YUGOSLAV POLICY FAR MORE INFLUENCE THAN COULD OTHERWISE HAVE BEEN EXERTED BY A DEVELOPING COUNTRY OF 20 MILLION. PRESTIGE AND POLITICAL AND ECONOMIC PARACTICALITY WILL DICTATE A CONTINUING ALLEGIANCE TO THE MOVEMENT. US-SOVIET DETENTE HAS CAUSED FEARS HERE OF DIMINISHED US INTEREST IN YUGO-SLAVIA'S LONG-TERM INDEPENDENCE. SUCH FEARS HAVE CONFIRMED IN YUGOSLAV MINDS THE DESIRABILITY OF SEEKING AN EVEN MORE PROMINENT PLACE IN THE NONALIGNED MOVEMENT. THE YUGOSLAVS WILL SEEK A UNITED NONALIGNED FRONT, BASED ON RADICAL POSITIONS REACHED AT THE ALGIERS SUMMIT, A FRONT WHICH COULD ITSELF INCREASINGLY TAKE ON ASPECTS OF ANOTHER BLOC. SEEKING PREFERENCE AS A BUYER OF OIL, CHAFING AT ITS EXCLUSION FROM MIDDLE EAST PEACE INITIATIVES AND FEARFUL OF ALGERIAN NONALIGNED DOMINANCE, YUGOSLAVIA WILL EMPHASIZE ITS ARAB TIES. ALL NEW FIELDS FOR NONALIGNED ACTIVITY WILL BE EXPLORED; LATIN AMERICA LOOKS PARTICULARLY PROMISING TO THE YUGOSLAVS AT THIS TIME.

13. RELATIONS WITH COMMUNIST REGIMES WILL REMAIN HIGHLY VISIBLE, WITH BOTH GOVERNMENT AND PARTY CONTACTS EXPANDING -- BUT NOT AT THE EXPENSE OF YUGOSLAVIA'S HARD-WON INDEPENDENCE. WHILE PUBLIC CRITICISM OF SOVIET POLICIES HAS BEEN MINIMAL SINCE THE 1971 BREZHNEV VISIT, THE YUGOSLAVS SEE THIS AS RESULTING FROM SOVIET CONCESSIONS: PERSUASIVE ASSURANCES OF NON-INTERVENTION IN YUGOSLAV AFFAIRS, AN END TO SNIPING AGAINST YUGOSLAV REVISIONISM AND NONALIGNMENT, AND LARGE OFFERS OF ECONOMIC CREDITS. IN FACT, THE GOY IS KEEPING UP ITS GUARD, CONTINUING ITS EFFORTS TO PUT INTO REALITY ITS ALL PEOPLES DEFENSE FORCE, A CONCEPT TO ENSURE TOTAL REISTANCE IN THE VENT OF SOVIET ATTACH.

14. THE YUGOSLAV LEADERSHIP APPEARS TO BE TAKING INTO ACCOUNT THAT ACTIONS AND STATEMENTS DIRECTED AGAINST WESTERN INTERESTS, ESPECIALLY AT A TIME OF PARTY CONSOLIDATION AND IMPROVED SOVIET RELATIONS, HAVE LED TO ALLEGATIONS THAT THE GOY HAS "MOVED TO THE EAST" THIS IS FIRMLY DENIED. RECENTLY, EX-AMBASSADOR TO SOVIET UNION VIDIC, IN AN INTERVIEW WITH THE PARTY NEWSPAPER, REITERATED CRITICISM OF THE BREZHNEV DOCTRINE (ALREADY WRITTEN INTO THE PLATFORM FOR THE CONGRESS)  
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AND REJECTED THE SOVIETS' CONCEPT OF PROLETARIAN INTERNATIONALISM. WHILE IT IS NOT YET CLEAR THAT THE YUGOSLAVS WILL MAKE A HABIT OF CRITICIZING SOVIET IDEOLOGY AND PRACTICE TO UNDERLINE THEIR INDEPENDENCE, THEY ARE PUBLICLY STRESSING THEIR DESIRE FOR BETTER RELATIONS WITH THE US.

15. GOY OFFICIALS TELL US THEY WILL AVOID NEEDLESS IRRITANTS IN RELATIONS WITH THE US AND POINT TO THE ABSENCE OF ANTI-AMERICAN LANGUAGE IN COMMUNIQUEs ISSUED DURING TITO'S RECENT TRIP TO SOUTH ASIA AND SYRIA. THEY STRESS THEIR INTEREST IN CONTINUING "THE DIALOGUE" WITH THE US AND SEEK EVIDENCE OF A SIMILAR INTEREST ON OUR PART. FOREIGN SECRETARIAT OFFICIALS HAVE EMPHASIZED THAT IT IS TIME FOR SOME NEW FORWARD STEPS IN OUR POLITICAL RELATIONS, E.G., US RESPONSES TO YUGOSLAV INVITATIONS FOR HIGH-LEVEL VISITS. THEY SEEM CONCERNED OVER WHAT THEY REGARD AS CONTINUING US COOLNESS.

16. THE YUGOSLAVS WILL CONTINUE TO LASH OUT AT SPECIFIC US POLICIES, AND THERE WILL CONTINUE TO BE US PRESS CRITICISM OF YUGOSLAV POLICIES, DOMESTIC AND FOREIGN, WHICH CAN ANGER YUGOSLAV POLICYMAKERS. THEY ARE CONCERNED ABOUT STATEMENTS OF PRIVATE INDIVIDUALS AND OF AN INDEPENDENT PRESS; IN CONTRAST, OUR CONCERN IS ABOUT GOY OFFICIAL POSITIONS ON INTERNATIONAL ISSUES AND EXTREME STATEMENTS OF OFFICIAL SPOKESMEN AND ORGANS. IN ANY CASE, WE SHOULD MAINTAIN A BROAD DIALOGUE WITH THE YUGOSLAVS. WE WILL BENEFIT FROM BEING ABLE TO TELL THE YUGOSLAVS DIRECTLY WHENEVER THEY SEEM TO US TO BE HARMING OUR VITAL INTERESTS. AND CONTACTS WITH YUGOSLAV LEADERS AT THIS TIME CAN ASSURE THE IMPORTANT FUTURE LINKS WE WILL NEED WITH THE COLLECTIVE LEADERSHIP WHICH WILL RUN YUGOSLAVIA AFTER TITO LEAVES THE SCENE.

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## Message Attributes

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